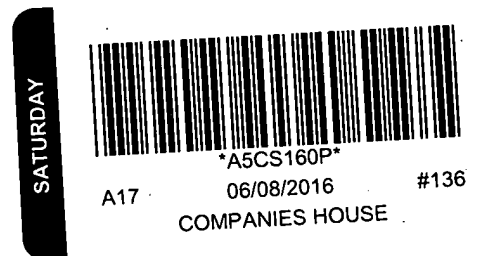


Ford Retail Limited

Annual Report

Year Ended 31 December 2015



Registered number: 00191596

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

Table of Contents

	<u>Page</u>
Strategic Report	<u>3</u>
Directors' Report	<u>5</u>
Independent Auditors' Report	<u>8</u>
Income Statement	<u>10</u>
Statement of Financial Position	<u>11</u>
Statement of Changes in Equity	<u>12</u>
Notes to the Financial Statements	<u>13</u>

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

STRATEGIC REPORT

Strategic report for the year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015 for Ford Retail Limited ("the Company").

Principal activities

The principal activity of the company during the year was the retailing of motor vehicles and related activities in the motor trade.

Review of the business

The global economic downturn and the Eurozone crisis have had a profound effect on the automotive industry. But as a result of the continued focus on volume sales, margin and costs the business has seen growth in the business overall. The directors are satisfied with the performance of the business during the year.

Principal risks and uncertainties

The company benefits from close commercial relationships with a number of key customers and suppliers. The loss of any of these key customers or suppliers, or a significant worsening in commercial terms could have a material impact on the company's results.

The company devotes significant resources to supporting these relationships to ensure that they continue to operate satisfactorily. The company undertakes surveys of customer satisfaction from a majority of its customers, which are reviewed by the board.

Key performance indicators

The Company measures its financial performance by reference to profitability based on the strategies set out above. Some of the key performance indicators used by the business are set out below:

In thousands		2015	2014
Turnover	The higher revenue results from increased volume of vehicle sales.	£1,628,682	£1,441,278
Profit on ordinary activities before taxation	Profit mainly increased in line with turnover.	£12,454	£7,255
Net Assets	The balance sheet net asset increase is reflective of the profitability/cash generative nature of the business during the year.	£50,111	£43,024

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

STRATEGIC REPORT (continued)

Results

The Company's result for the year is set out in the income statement and statement of financial position on pages 10 and 11 respectively.

Employee communications

The Company has continued to broadcast regularly to employees through the Trustford intranet web-based system and has also continued to publish the News magazine, Ignite, to employees and pensioners. The new colleague smart phone application was launched. It is designed to keep all colleagues up to date on current issues.

Health and Safety

Health and Safety of employees continues to be a priority consideration within the Company.

Environment

At Ford Retail we recognise that our operation can have a negative impact on the environment, specifically finite resources. The company continues to commit to provide the best possible environment for its employees and encourage them to think of new ways to helping the environment in accordance with the long term business plan. We actively seek to reduce our impact on the environment by making changes to our behaviour and installing more efficient technology.

As a result of Ford Motor Company's commitment to the environment the company sells vehicles with leading technological advances in vehicle efficiency. ECONetic technology provides features such as Automatic Start/Stop, Smart Regenerative Charging, Active Grille Shutters, ECOMode and other fuel saving ideas. Ford offers one of the broadest low CO2 vehicle portfolios in Europe.

On behalf of the Board



S Mustoe
Director
1 August 2016

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

DIRECTORS' REPORT

Directors' report for the year ended 31 December 2015

The Directors present their report and the audited, financial statements of Ford Retail Limited ("the company") for the year ended 31 December 2015.

Principal activities and future developments

The principal activity of the company during the year was the retailing of motor vehicles and related the motor trade.

The company is to continue investing in training all staff for the purpose of meeting its long term goal of providing excellent customer service.

The financial risk management policy of the company is shown below.

Results and dividends

The results for the year are set out in the income statement and statement of financial position on pages 10 and 11 respectively.

During the year the company paid £3,296,000 of dividends (2014: £299,000).

Directors

The directors who held office during the year and up to the date of signing the financial statements were:

S. Hood (appointed 27 January 2015)

S. Mustoe

P. MacNiven

S. Kerr (resigned 1 January 2015)

Land and buildings

In the opinion of the directors the present market value of the company's properties is in excess of its net book value but in the absence of a recent valuation, the excess is not quantified.

Employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible be identical to that of a person who does not suffer from a disability.

Consultation is undertaken on a regular basis with employees, so that their views can be taken into account in making decisions affecting their interests through the use of appraisals and that all employees are aware of the financial and economic performance of their business units and of the company as a whole by holding quarterly cascade meetings chaired by senior management. The company encourages the involvement of employees in business performance by providing incentives such as discounts on vehicle purchases and other product and service discounts.

Directors indemnity

Directors qualifying third party indemnity insurance in force during the financial year and at the date of approval of the financial statements, is arranged by related parties in the same group of companies.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

DIRECTORS' REPORT (*continued*)

Political donations

No political donations were made in the year (2014: £nil).

Financial risk management

Competitor risk

The company operates in highly competitive markets. Significant product innovations, technical advances or the intensification of price competition could all adversely affect the company's results. Ford Retail Limited invests in significant training for its staff in order to ensure that the company is well placed within each community it operates, that the customer has the choice, is aware of their options and as a result of provision of our service, is satisfied. The company also continually works to streamline its cost base to ensure that it remains competitive. The directors realise the importance of excellent customer service to remain ahead of competition and the business has been rewarded for its efforts in providing a high level of training in this area under the 'Moments of Truth' initiative.

Credit risk

The company has well established policies and procedures that require appropriate credit checks on potential customers before sales are made. The amount of exposure to any individual counter party is subject to a limit, which is reassessed annually by the management of the company.

Liquidity risk

Effective management of cash and working capital is a key ongoing priority. The company has an inter-company facility in place that is sufficient to ensure available funds for its operations.

Price risk

The company is exposed to commodity price risk as a result of its operations. The company mitigates this risk by constant management of stock levels and by keeping lines of communication with related parties open throughout the year.

Interest rate risk

Profits are exposed to erosion due to the relative risk of interest rate rises, particularly on stocking charges. These risks are managed by regular discussions with our suppliers and financiers.

Post balance sheet events

Subsequent to the year end, the Company successfully sold properties at Barking, East London and Bristol.

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

DIRECTORS' REPORT *(continued)*

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards, including FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006. Each person who is a director at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each director has taken all the steps that he/she ought reasonably be expected to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent auditors

PricewaterhouseCoopers LLP have expressed a willingness to remain as independent auditors of the Company.

On behalf of the Board



S Mustoe
Director

1 August 2016

Registered office:
2 Charter Court
Newcomen Way
Colchester
Essex CO4 9YA

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORD RETAIL LIMITED

Report on the financial statements

Our opinion

In our opinion, Ford Retail Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

The financial statements, included within the Annual Report, comprise:

- the Statement of Financial Position as at 31 December 2015;
- the Income Statement for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORD RETAIL LIMITED (continued)

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Neil Philpott (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
1 August 2016

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

INCOME STATEMENT
(in thousands)

	Note	For the years ended December 31,	
		2015	2014
Revenues	4	£ 1,628,682	£ 1,441,278
Cost of sales and other expenses			
Cost of sales		1,490,328	1,312,007
Selling, administrative, and other expenses		143,967	140,945
Total costs and expenses		1,634,295	1,452,952
Other operating income	6	21,528	21,149
Other interest expense and finance cost, net	7	3,461	2,220
Profit before income tax		12,454	7,255
Income tax expense	8	2,071	627
Net profit		£ 10,383	£ 6,628

All results are from continuing operations.

The profit for the financial year is the only recognised gain or loss for the year. A separate statement of comprehensive income has therefore not been presented.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

STATEMENT OF FINANCIAL POSITION (in thousands)

	Note	December 31, 2015	December 31, 2014
ASSETS			
Cash and cash equivalents		£ 10,607	£ 1,356
Trade and other receivables	9	57,825	64,822
Inventories	10	384,714	342,807
Total current assets		<u>453,146</u>	<u>408,985</u>
Property, plant, and equipment	11	39,279	41,447
Investment in subsidiaries	12	8,427	9,068
Assets held for sale		2,645	-
Deferred income taxes	13	414	244
Total non-current assets		<u>50,765</u>	<u>50,759</u>
Total assets		<u>£ 503,911</u>	<u>£ 459,744</u>
LIABILITIES			
Trade and other payables	15	£ 452,817	£ 416,085
Provisions	16	456	165
Total current liabilities		<u>453,273</u>	<u>416,250</u>
Deferred revenue and other liabilities		85	202
Provisions	16	442	268
Total non-current liabilities		<u>527</u>	<u>470</u>
Total liabilities		<u>453,800</u>	<u>416,720</u>
EQUITY			
Called up share capital	17	2,453	2,453
Retained earnings		37,296	30,209
Other reserves		10,362	10,362
Total equity		<u>50,111</u>	<u>43,024</u>
Total liabilities and equity		<u>£ 503,911</u>	<u>£ 459,744</u>

The accompanying notes are part of the financial statements.

The financial statements on pages 10 to 36 were approved by the board of directors and were signed on its behalf by:



S Mustoe
Finance Director

Date: 1 August 2016

Registered number: 00191596

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Called up share capital	Retained Earnings	Other reserves	Total
Balance at January 1, 2014	£ 2,453	£ 23,880	£ 10,362	£ 36,695
Net profit	—	6,628	-	6,628
Comprehensive income	2,453	30,508	-	43,323
Transactions with shareholders				
Dividend	—	(299)	-	(299)
Total transactions with shareholders	—	(299)	-	(299)
Balance at December 31, 2014	<u>£ 2,453</u>	<u>£ 30,209</u>	<u>£ 10,362</u>	<u>£ 43,024</u>
Balance at January 1, 2015	£ 2,453	£ 30,209	£ 10,362	£ 43,024
Comprehensive income				
Net profit	—	10,383	—	10,383
Comprehensive income	2,453	40,592	10,362	53,407
Transactions with shareholders				
Dividends	—	(3,296)	—	(3,296)
Total transactions with shareholders	—	(3,296)	—	(3,296)
Balance at December 31, 2015	<u>£ 2,453</u>	<u>£ 37,296</u>	<u>£ 10,362</u>	<u>£ 50,111</u>

The other reserve was the result of a gift by Ford Retail Group Limited of shares in Lindsay Cars Limited on 10 February 2012.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTES TO THE FINANCIAL STATEMENTS

Table of Contents

<u>Footnote</u>	<u>Page</u>
Note 1 Background and Basis of Preparation	<u>14</u>
Note 2 Summary of Significant Accounting Policies	<u>16</u>
Note 3 Critical Accounting Judgments, Estimates, and Assumptions	<u>20</u>
Note 4 Revenues	<u>21</u>
Note 5 Operating Profit	<u>22</u>
Note 6 Other Operating Income	<u>22</u>
Note 7 Other Interest Expense and Finance Cost, Net	<u>23</u>
Note 8 Income Taxes	<u>24</u>
Note 9 Trade and Other Receivables	<u>26</u>
Note 10 Inventories	<u>26</u>
Note 11 Property, Plant, and Equipment	<u>27</u>
Note 12 Interests in Subsidiaries	<u>29</u>
Note 13 Deferred Income Taxes	<u>30</u>
Note 14 Employee Benefits	<u>31</u>
Note 15 Trade and other payables	<u>31</u>
Note 16 Provisions	<u>31</u>
Note 17 Called up Share Capital	<u>32</u>
Note 18 Equity dividends	<u>32</u>
Note 19 Contingent Liabilities	<u>32</u>
Note 20 Capital and Other Commitments	<u>33</u>
Note 21 Employees and directors	<u>34</u>
Note 22 Events Subsequent to the Reporting Date	<u>34</u>
Note 23 Controlling Parties	<u>34</u>
Note 24 FRS 101 First-Time Adoption	<u>35</u>

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 1. BACKGROUND AND BASIS OF PREPARATION

Background

The principal activity of the company during the year was the retailing of motor vehicles and related activities in the motor trade.

The company is domiciled in the United Kingdom as a Limited Company (limited by shares) and the country of incorporation is the United Kingdom.

Basis of Preparation

Statement of Compliance

The financial statements of the Company have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The Company is itself a subsidiary company of Ford Retail Group Limited, a company incorporated in the United Kingdom, and is exempt from the requirement to prepare group financial statements by virtue of Section 401 of the Companies Act 2006. Copies of the ultimate parent company's financial statements can be obtained from the address outlined in note 23.

The principal accounting policies are set out in note 2 and have been applied consistently throughout the year.

Presentation

The financial statements are presented in Sterling. All financial information has been rounded to the nearest thousand, except where otherwise indicated.

The statement of financial position differentiates between current and non-current assets and liabilities. Assets and liabilities are classified as current if they mature within one year.

Adoption of FRS 101

These financial statements of Ford Retail Limited have been prepared for the first time in accordance with FRS 101 and related interpretations issued by the IASB, applying IFRS 1 First-Time Adoption of International Financial Reporting Standards.

The differences between the carrying amount of the assets and liabilities in the statement of financial position under the previously applied UK GAAP and FRS 101 resulted in a different amount of equity at the date of transition to FRS 101 which was January 1, 2014. See Note 24 for additional information.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 1. BACKGROUND AND BASIS OF PREPARATION (continued)

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, plant and equipment;
 - (iii) paragraph 118(e) of IAS 38 Intangible assets (reconciliations between the carrying amount at the beginning and end of the period).
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d), (statement of cash flows),
 - 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements),
 - 16 (statement of compliance with all IFRS),
 - 38A (requirement for minimum of two primary statements, including cash flow statements),
 - 38B-D (additional comparative information),
 - 40A-D (requirements for a third statement of financial position
 - 111 (cash flow statement information), and
 - 134-136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'.
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective).
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation).
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Going Concern

The directors consider the company has adequate resources to continue in operational existence for the foreseeable future and there are no scenarios which might cause doubt about our ability to continue as a going concern for the next year and so we have prepared the financial statements on that basis.

Revenue Recognition

Revenue is generated primarily by sales of vehicles, parts, and accessories and measured at the fair value of consideration received net of discounts, returns and value added tax. The company recognises revenue when it can be reliably measured; when it is probable that future economic benefits will flow to the entity and when all risks and rewards of ownership are transferred to our customers (generally retail customers, dealers and distributors). No sale is recognised where, following disposal of legal title to a vehicle or component, the Company retains a significant financial interest. The Company's interest in this vehicle or component is retained in inventory or property, plant and equipment until the financial interest ceases, at which time the sale is recognised. The net cost of meeting any financial commitment on these vehicles or components is included in trade payables.

Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, items recognised directly in equity, or items recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised for temporary differences that exist between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and,
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Presentation of Sales and Sales-Related Taxes

We collect and remit taxes assessed by the governmental authorities that are both imposed on and concurrent with a revenue-producing transaction between us and our customers. These taxes may include, but are not limited to, sales, use, value-added, and some excise taxes. We report the collection of these taxes on a net basis (excluded from revenues).

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of parts inventories is determined by methods approximating the weighted average cost principle and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Leases

We determine the classification of leases as operating or finance at the inception of the lease. A lease that transfers substantially all risks and rewards of ownership of the asset to the lessee is classified as a finance lease. All other leases are classified as operating leases.

Finance leases are where the Company enters into a lease which entails taking substantially all of the risks and rewards of ownership of the asset. Assets leased under finance leases are included in property, plant and equipment at the present value of minimum lease payments and are depreciated over the shorter of the lease term and the useful economic lives of equivalent owned assets. Obligations under finance leases are initially recognised at the present value of minimum lease payments and are included in creditors net of finance charges in respect of future periods. The interest element of the rental is allocated to accounting periods so as to produce a constant periodic rate of charge on the remaining balance of the obligation.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Property, Plant, and Equipment

Property, plant, and equipment are recorded at cost, net of accumulated depreciation and impairments. Routine maintenance and repair costs are expensed when incurred.

We recognise the gain or loss on disposal of an item of property, plant, and equipment within Selling, administrative, and other expenses in our income statement.

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of the property, plant, and equipment, taking into consideration our best estimate of its residual value. We generally depreciate leased assets over the shorter of the lease term and their useful lives.

Property, improvements and equipment are depreciated primarily using the straight-line method over the estimated useful life of the asset. Useful lives range from 3 years to 25 years. The estimated useful lives are generally 3 to 10 years for machinery and equipment, 5 to 10 years for fixtures and fittings and 25 years for buildings. Land is not depreciated as it is treated as having an infinite life.

Assets under construction are not depreciated until they have been completed and in use.

Provisions

A provision is recognised if, as a result of a past event, we have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. We record provisions for vehicle write offs, lease exit costs and dilapidation claims by landlords.

Due to the inherent uncertainty of the amount and timing of expected payments, we measure our provisions using patterned estimation models that take into consideration historical experience with similar matters, recent facts and circumstances, as well as assumptions about current trends. Each measurement reflects our best assumptions at each reporting period but the ultimate outcome of any matter could result in an amount different than the amount we have accrued and/or disclosed.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less provisions for impairment. Investments are impaired only if there is objective evidence of impairment as a result of one or more events that occurred.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Other

Litigation and claims are accrued when losses are deemed probable and reasonably estimable. In evaluating matters for accrual and disclosure purposes, we take into consideration factors such as our historical experience with matters of a similar nature, the specific facts and circumstances asserted, the likelihood of our prevailing, and the severity of any potential loss. We re-evaluate and update our provisions and accruals as matters progress over time.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of the company are measured using the currency of the primary economic environment in which the company operates ('the functional currency'). The financial statements are presented in 'Pounds Sterling' (£), which is also the company's functional currency.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of financial statements in conformity with FRS101 requires management to make judgments, estimates, and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income, and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

We consider an accounting estimate to be significant if: 1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and 2) changes in the estimate that are reasonably likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations.

There are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements.

Inventory provision

Inventory is valued at the lower of cost (or weighted average cost) and net realisable value. Cost is arrived at as follows:

- Raw materials, consumables and goods for resale: purchase cost (or weighted average cost).
- Work in progress and finished goods: cost of raw materials and labour together with attributable overheads.
- Net realisable value is based on estimated selling price less further costs to completion and disposal.

Used cars are revalued to CAP value after a period of 60 days and commercial vehicles after a period of 90 days.

Other provisions

Provisions are held for lease exit costs relating to commitments that are expected to arise on leases where the respective properties are no longer used within the business. Provision is made for the estimated dilapidation costs where payable on leases. Estimated future costs have not been discounted because the underlying costs are not considered material.

Income Taxes

Nature of Estimates Required. We must make estimates and apply judgment in determining the provision for income taxes for financial reporting purposes. We make these estimates and judgments primarily in the calculation of differences in the timing of recognition of revenue and expense for tax and financial statement purposes that will ultimately be reported in tax returns.

We must assess the likelihood that we will be able to recover our deferred tax assets against future sources of taxable income. IFRS recognises deferred tax assets to the extent that it is more likely than not (defined as a likelihood of more than 50%) that sufficient taxable profits will be available to utilise the deductible temporary difference or unused tax losses.

For additional information regarding income taxes, see Note 13.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 4. REVENUES

Amounts included in *Revenues* on our income statement were as follows (in thousands):

	<u>For the years ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
Sales of vehicles	£ 1,465,849	1,286,219
Sales of parts	108,617	103,680
Vehicle rentals income	2,629	1,886
Workshop sales	51,587	49,493
Total revenues	<u>£ 1,628,682</u>	<u>1,441,278</u>

All revenue is generated in the United Kingdom.

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 5. OPERATING PROFIT

Operating profit is arrived at after crediting/(charging) (in thousands):

	For the years ended December 31,	
	2015	2014
Depreciation on tangible fixed assets		
Buildings	(1,696)	(1,601)
Machinery and equipment	(1,038)	(859)
Other	(896)	(720)
Impairment of inventory	(11,225)	(11,223)
Impairment of trade receivables	(610)	(286)
Inventory recognised as an expense	(1,604,813)	(1,417,580)
Exceptional item- profit on disposal of land	1,575	-
Profit/(loss) on disposal of other fixed assets	41	147
Operating lease rentals		
Plant and machinery	(2,385)	(1,539)
Other (buildings)	(9,506)	(8,851)

Auditors' remuneration for the statutory audit of the company's annual financial statements was £320,000 (2014: £290,000) and for non-audit services was £nil (2014: £nil).

NOTE 6. OTHER OPERATING INCOME

Amounts included in *Other operating income* on our income statement were as follows (in thousands):

	For the years ended December 31,	
	2015	2014
Finance and insurance commission	£ 21,528	£ 21,149
Total	£ 21,528	£ 21,149

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 7. OTHER INTEREST EXPENSE AND FINANCE COST, NET

Amounts included in Other interest expense and finance cost, net on our income statement were as follows (in thousands):

	For the years ended December 31,	
	2015	2014
Bank loans and overdraft interest charges	£ -	£ (16)
Interest payable to group undertakings	(545)	(458)
Interest on loan stock holdings	(3,002)	(1,757)
Other interest charges	(3)	(4)
Bank interest received	21	22
Interest from group undertakings	80	10
Finance lease interest	(12)	(17)
Total	£ <u>(3,461)</u>	£ <u>(2,220)</u>

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 8. INCOME TAXES

The *Income tax expense* on our income statement was estimated as follows:

(In thousands)

Current

Group relief charges- current year
Adjustments in respect of prior years
Total current

Deferred

Origination and reversal of temporary differences
Impact of change in tax rate
Effect of tax rate on opening balance
Total deferred

Income tax (benefit)/expense

For the years ended December 31,

	2015	2014
£	2,241	£ 950
	-	(433)
	<u>2,241</u>	<u>517</u>
	(194)	99
	-	11
	<u>24</u>	<u>-</u>
	<u>(170)</u>	<u>110</u>
£	<u>2,071</u>	£ <u>627</u>

(In thousands)

Income before income taxes
Tax calculated at domestic tax rates applicable to profits (2015 – 20.25% and 2014 -21.49%)

Tax effects of:

Capital allowances in excess of depreciation
Expenses not deductible for tax purposes
Other tax adjustments, reliefs and transfers
Adjustments to brought forward values
Adjustments in respect of prior years current tax
Impact of change in tax rate deferred tax
Chargeable deferred loss on assets held for sale
Adjustment to opening and closing deferred tax to average rate
Income tax (benefit)/expense

For the years ended December 31,

	2015	2014
£	12,454	£ 7,255
	<u>2,522</u>	<u>1,559</u>
	1	334
	23	29
	(249)	(877)
	164	10
	-	(433)
	-	11
	(438)	-
	<u>48</u>	<u>(7)</u>
£	<u>2,071</u>	£ <u>627</u>

The deferred tax amounts shown on the balance sheet at December 31 were as follows (in thousands):

Deferred tax assets
Deferred tax liabilities
Net deferred tax asset

	2015	2014
£	414	£ 244
	-	-
£	<u>414</u>	£ <u>244</u>

Ford Retail Limited
Annual Report and Financial Statements
For the year ended 31 December 2015

NOTE 8. INCOME TAXES (Continued)

The current and non-current portions of deferred income taxes expected to be recovered or settled within and after one year at December 31 were as follows (in thousands):

	2015	2014
Deferred tax assets		
Current portion	£ 541	£ 303
Non-current portion	(127)	(59)
Total deferred tax asset	<u>414</u>	<u>244</u>
Net deferred tax assets	<u>£ 414</u>	<u>£ 244</u>

Factors that may affect future tax charges

A reduction to the UK corporation tax rate has been announced and substantively enacted, to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. The relevant deferred tax balances have been remeasured.

A further reduction to the UK corporation tax rate has been announced, to reduce the UK corporation tax rate to 17% from 1 April 2020. Since this reduction has not been substantively enacted, it has not been reflected in these financial statements.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 9. TRADE AND OTHER RECEIVABLES

Trade and other receivables is analysed as follows (in thousands):

	For the year ended December 31	
	2015	2014
Amounts falling due within one year		
Trade receivables	£ 3,152	£ 26,316
Amounts owed by group undertakings	21,332	12,249
Other receivables	26,925	21,329
Prepayments and accrued income	5,490	4,928
	<u>56,899</u>	<u>64,822</u>
Amounts falling due after more than one year		
Trade receivables	926	-
	<u>926</u>	<u>-</u>
Total	<u>£ 57,825</u>	<u>£ 64,822</u>

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Trade receivables are stated after provisions for impairment of £679,000 (2014: £572,000).

NOTE 10. INVENTORIES

Inventories on our statement of financial position were as follows (in thousands):

	December 31, 2015	December 31, 2014
Raw materials and supplies	£ 574	£ 515
Work-in-process	492	614
Finished products	383,648	341,678
Total	<u>£ 384,714</u>	<u>£ 342,807</u>

Inventories are stated after provision for impairment of £5,721,000 (2014: £5,944,000).

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 11. PROPERTY, PLANT, AND EQUIPMENT

Changes in *Property, plant, and equipment* balances on our statement of financial position were as follows (in thousands):

	Land, Land Improvements, and Buildings	Machinery, Equipment, and Other	Assets under construction	Fixtures and fittings	Total
Cost					
Beginning balance	46,072	10,858	1,346	9,570	67,846
Held for sale	(4,827)	-	-	(23)	(4,850)
Transfers	90	-	(90)	-	-
Additions	1,752	1,832	-	1,566	5,150
Disposals	(1,720)	(684)	-	(502)	(2,906)
Ending balance	41,367	12,006	1,256	10,611	65,240
Accumulated depreciation and impairment					
Beginning balance	13,414	7,689	-	5,296	26,399
Held for sale	(2,184)	-	-	(21)	(2,205)
Depreciation	1,696	1,038	-	896	3,630
Disposals	(756)	(631)	-	(476)	(1,863)
Ending balance	12,170	8,096	-	5,695	25,961
Total as at 31 December 2015	£ 29,197	£ 3,910	£ 1,256	£ 4,916	£ 39,279
Total as at 1 January 2015	£ 32,658	£ 3,169	£ 1,346	£ 4,274	£ 41,447

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 11. PROPERTY, PLANT, AND EQUIPMENT (*Continued*)

Assets we have leased under finance lease arrangements included in Land, Land improvements and Buildings were as follows (in thousands):

	December 31, 2015	December 31, 2014
Cost	£ 2,266	£ 2,266
Accumulated depreciation	(2,266)	(2,266)
Net carrying amount	£ -	£ -

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 12. INTERESTS IN SUBSIDIARIES

Ownership Percentage and Investment Balances

Investment in subsidiaries on our statement of financial position was as follows (in thousands):

	Group undertakings shares
Cost:	
1 January 2015	£ 11,003
Struck off company-Progress Motors	(641)
31 December 2015	10,362
Provisions:	
1 January 2015	1,935
Impairments	-
31 December 2015	1,935
Net book value 31 December 2015	8,427
Net book value 31 December 2014	9,068

Subsidiaries

Organisation	Jurisdiction	Ownership %	Principle Activity
Lindsay Cars Limited	Northern Ireland	100%	Non-Trading

The registered office of the above company is Market Place, Lisburn, Co. Antrim, BT28 1AN.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 13. DEFERRED INCOME TAXES

An analysis of the movements in the deferred tax asset is set out below (in thousands):

	Accelerated Capital Allowances £	Capital Gains and Losses £	Other short term timing differences £	Total £
Recognised:				
1 January 2015	59	-	(303)	(244)
Charge for the year	67	(393)	156	(170)
31 December 2015	126	(393)	(147)	(414)

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 14. EMPLOYEE BENEFITS

The Group operates a defined contribution scheme for certain eligible employees. The assets of the scheme are held separately from those of the Group, being invested with an insurance company. The cost of contributions is charged to the profit and loss account as incurred. The contributions are based on the members' salaries. The separate contributions of the Group and employees are presently variable. The pension charge for the year was £1,936,000 (2014: £1,791,000).

NOTE 15. TRADE AND OTHER PAYABLES

Accounts payable is analysed as follows (in thousands):

	For the year ended December 31	
	2015	2014
Trade payables	£ 19,422	£ 17,445
Amounts owed to group undertakings	405,427	374,148
Accruals and deferred income	24,535	23,045
Obligations under finance leases	117	112
Other creditors	2,017	60
Taxation and social security	1,299	1,275
Total	£ 452,817	£ 416,085

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTE 16. PROVISIONS

The short term provision of £456,000 (£165,000) is a fund used to cover the self insured vehicle scheme operated by the company.

Long term provisions on our statement of financial position were as follows (in thousands):

	For the year ended December 31	
	2015	2014
Balance 1 January	£ 268	£ 449
Added in the year	307	33
Utilised in the year	(133)	(214)
Balance 31 December	£ 442	£ 268

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 17. CALLED UP SHARE CAPITAL

(in thousands):

	2015		2014
Allotted and fully paid			
2,453,000 (2014: 2,453,000) ordinary stock of £1 each	£ 2,453	£	2,453
Total	£ 2,453	£	2,453

NOTE 18. EQUITY DIVIDENDS

(in thousands):

	2015		2014
Ordinary shares			
1.344p (2014: 0.122p) per ordinary stock of £1 each	£ 3,296	£	299
Total	£ 3,296	£	299

NOTE 19. CONTINGENT LIABILITIES

Any future deficit in the Cosworth Pension Plan- "Retail section" is to be made good by Blue Oval Holdings Limited, a parent undertaking. If it is unable to, that obligation will fall on the company. The directors consider the possibility of this occurring is remote. The surplus in the scheme at 31 December 2015 was £11,301,000 (2014: £10,818,000).

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 20. CAPITAL AND OTHER COMMITMENTS

At 31 December, the company had the following capital commitments (in thousands):

	2015		2014
Aggregate of contractual commitments not provided for	£ 4,246	£	972

	2015		2014
Future commitments under non-cancellable operating leases are as follows:			
Land and Buildings			
Within one year	£ 9,428	£	8,507
Between two and five years	32,046		24,578
In excess of five years	52,067		32,973
	93,541		66,058
Others			
Within one year	£ 1,086	£	618
Between two and five years	909		98
In excess of five years	-		-
	1,995		716

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 21. EMPLOYEES AND DIRECTORS

Employment costs were as follows (in thousands):

	2015	2014
Employment costs		
Wages and salaries	£ 90,773	87,812
Social security costs	8,939	8,727
Other pension costs	1,936	1,791
	101,648	98,330

The average monthly number of persons employed in the company by category was as follows:

	2015 Number	2014 Number
Location of employment		
Sales staff	881	870
After-sales staff	1,629	1,607
Administration staff	598	597
Total	3,108	3,074

Aggregate emoluments of the directors amounted to £337,000 (2014: £442,000). As at 31 December 2015 retirement benefits are accruing under a defined benefit pension scheme to 2 directors (2014: 2 directors).

The highest paid director's emoluments were £185,000 (2014: £296,000).

In addition to the above £nil was paid to a director for compensation for loss of office (2014: £364,000). This charge was borne by the UK group company Ford Motor Company Limited.

NOTE 22. EVENTS SUBSEQUENT TO THE REPORTING DATE

Subsequent to the year end, the Company successfully sold properties at Barking, East London and Bristol.

NOTE 23. CONTROLLING PARTIES

The Company's immediate parent company is Ford Retail Group Limited, a company registered in the United Kingdom.

The ultimate parent company and controlling party is Ford Motor Company, a company incorporated in the State of Delaware in the USA, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the ultimate parent company's financial statements may be obtained from: Ford Motor Company, One American Road, Dearborn, Michigan 48126, USA.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 24. FRS 101 FIRST-TIME ADOPTION

As stated in Note 1, these are the Company's first financial statements prepared in accordance with FRS 101. The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended December 31, 2015 and the comparative information presented in these financial statements for the year ended December 31, 2014.

In preparing its first FRS 101 financial statements in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards*, the Company has applied the relevant mandatory exceptions and certain optional exemptions from full retrospective application of IFRS.

Effect of adoption of FRS 101

In preparing its opening FRS 101 statement of financial position, the Company has made certain statement of financial position reclassifications and adjustments to amounts reported previously in financial statements prepared in accordance with UK GAAP. An explanation of how the transition from previous GAAP to FRS 101 has affected the Company's reported financial position and financial performance is set out in the following tables and the notes that accompany the tables.

Ford Retail Limited
Annual Report and Financial Statements
for the year ended 31 December 2015

NOTE 24. FRS 101 FIRST-TIME ADOPTION (Continued)

Reconciliation of equity was as follows (in thousands):

	December 31, 2014	January 1, 2014
Total equity under U.K. GAAP	£ 43,672	£ 37,380
Lease incentive redistribution (a)	(496)	(436)
Capital leases (b)	(314)	(420)
Taxation (c)	162	171
Total impact of transition to FRS 101	(647)	(685)
Total equity under FRS 101	£ 43,024	£ 36,695

Reconciliation of comprehensive income was as follows (in thousands):

	Year ended December 31, 2014
	£ 6,591
Lease incentive redistribution (a)	(59)
Capital leases (b)	106
Taxation (c)	(10)
Total impact of transition to FRS 101	37
Total comprehensive income under FRS 101	£ 6,628

-
- (a) Under previous UK GAAP lease incentives are allocated over the shorter of the lease term and a period ending on a date from which it is expected that the prevailing market rental will be payable. Whereas under FRS101 it is recognised as a reduction of rental expense over the whole of the lease term.
- (b) Under previous UK GAAP all property leases were treated as operating leases whereas under FRS101, properties where the lease term is more than 75% of the economic life of the asset, the lease is capitalised.
- (c) Under FRS101, there is an effect of adjustments (a) and (b) above to deferred tax.